



The Deficit Reduction Omnibus Reconciliation Act of 2005

Fact: The 2006 Budget Resolution instructed Congress to find at least \$34.7 billion in savings in direct spending during fiscal years 2006-2010 to reduce the federal deficit.

Fact: The *Deficit Reduction Omnibus Reconciliation Act of 2005* was reported by the Senate Budget Committee today in a 12-10 vote. The bill went beyond the Resolution's instructions and reflects \$39.1 billion in savings over five years.

Highlights of Senate Budget Committee Chairman Judd Gregg's Opening Statement at Today's Mark-Up:

"The driving force behind this effort is the federal deficit and the out-of-control spending that is pushing it increasingly higher. This bill takes fiscally responsible steps to reduce the deficit, reduce spending that is on autopilot, and strengthen our economy. The bill also re-prioritizes some existing spending in order to provide better education and health care programs for low-income individuals and families. It is the first deficit reduction package in nearly a decade, and probably the most important legislation to be considered this year."

- **The current deficit situation is unsustainable:** End-of-the-year budget results from the U.S. Treasury show that the FY 2005 deficit was \$319 billion. While that is down from previous expectations due to a strong increase in individual and corporate tax receipts, it is still too high. We are on an unsustainable path that will jeopardize the economic stability of future generations.
- **Spending is the problem:** We are spending a lot more than we are taking in, despite the fact that our tax receipts are growing stronger. And that is putting a serious strain on our economy down the road. Mandatory spending is the biggest problem; these programs simply grow year after year on automatic pilot with no regular review by Congress. Automatic spending, excluding interest on the debt, now represents 56 % of all federal spending. Left unchecked, that will grow to more than 62 % in 10 years. Accelerating spending in several of the largest entitlement programs is on the verge of overwhelming our economy's ability to pay for those benefits as the Baby Boom generation begins to retire in 2008. We must find a way to slow the rate of growth of automatic spending to a level that is sustainable, given that the ratio of retirees to workers will be higher than ever before.

- **\$39 billion in spending reduction is a step in the right direction:** Under 2006 Budget Resolution, federal government is estimated to spend \$13.8 trillion over the next five years. This bill seeks to reduce outlays by more than \$39 billion over that time period, which is less than 0.3 percent of total federal spending. Many would argue that is not enough, considering that the last three enacted reconciliation bills in the 1990s included 2-3 times the amount of savings: in constant 2005 dollars, the 1990 bill cut mandatory spending by \$100 billion, the 1993 bill cut \$96 billion, and the 1997 bill cut \$118 billion, all over a five-year period. I agree that more needs to be done to reduce the deficit and control spending, but argue that what we are considering today is a step in the right direction.
- **The Act re-prioritizes spending to benefit more Americans:** The bill reduces bank and education lender subsidies and profits by \$21 billion, reducing the deficit by \$10 billion and putting the remaining \$11 billion into education programs for low- and middle-income students. The bill helps to shore up the pension insurance system so that promises made to retirees are promises kept, and promotes U.S. energy independence so we can avoid costly domestic production disruptions and lessen our dependence on foreign oil.
- **Strengthens the Medicaid and Medicare programs:** The bill reduces the growth of the programs by \$26 billion over five years by more accurately calculating reimbursements to pharmacies and drug manufacturers, reducing waste and fraud, and clarifying Medicare reimbursement policies for insurance companies. It then reduces the deficit by \$10 billion and uses the remaining \$16 billion to strengthen and improve Medicaid and Medicare services. (Medicaid growth is being reduced by 0.7% over 5 yrs; Medicare growth is reduced by 1.0%)
- **Need to keep U.S. economy strong and growing:** Despite some serious economic set-backs such as Sept. 11th, a recession, and a significant correction in the stock market, the U.S. economy has managed to stay resilient as the President and Congress have worked to enact sound economic policies and lessen the tax burden on families and businesses. That has produced 4.2 million jobs since May 2003 and generated a 14.6% increase in tax receipts this past fiscal year. Long-term interest rates are relatively low and homeownership is at an all-time high.
- **Future generations depend on Congress taking action now:** We want today's economic benefits to continue for future generations. But to make that happen, we need to control spending and reduce the deficit, while allowing Americans to keep and invest more of what they earn so that the economy can continue to expand and grow.